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FISCAL IMPACT STATEMENT

LS 6952

BILL NUMBER: HB 1328

NOTE PREPARED: Dec 30, 2006

BILL AMENDED:

SUBJECT: Excise Tax on Recreational Vehicles and Campers.

FIRST AUTHOR: Rep. Saunders

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that recreational vehicles and truck campers are subject to an excise tax instead of the property tax on personal property beginning January 1, 2009. It also makes an appropriation.

Effective Date: January 1, 2008.

Explanation of State Expenditures: *Summary:* Subject to appropriation, the overall net impact projected for the state under this proposal is a savings of \$420,000 in FY 2009 and \$1.3 M for years following.

Property Tax Replacement Credit (PTRC) Savings: The state pays Property Tax Replacement Credits in the amount of 60% of school General Fund levies attributable to all property. The state also pays 20% of the portion of operating levies (including the remaining 40% of the school GF levy) that are attributable to real property and non-business personal property. Subject to appropriation, if maximum levies are reduced as a result of this proposal (see *Explanation of Local Revenues*), the state would save the amount of PTRC paid on the maximum levy reductions for civil unit levies and for school transportation funds.

The reduction in assessed value (AV) for school general funds would result in the state continuing its overall funding level by shifting part of the state payments from PTRC to tuition support. Subject to appropriation, the amount that the state would save from civil unit and school transportation fund PTRC payments is estimated at about \$1.3 M per year beginning in CY 2009. PTRC is paid from the Property Tax Replacement Fund.

Bureau of Motor Vehicles (BMV) Expenses: The Bureau of Motor Vehicles would incur additional costs

related to the startup and maintenance of the new excise tax program. BMV startup costs are estimated at \$115,000 in FY 2009 for software work. Ongoing expenditures for valuation guides, printing, and decals are estimated at about \$3,500 per year, including the startup year.

Explanation of State Revenues: The state levies a small tax rate for state fair and state forestry. Any reduction in the assessed value base will reduce the property tax revenue for these two funds. The removal of the RV/truck camper AV would cause a revenue reduction of about \$15,000 per year beginning in CY 2009.

Explanation of Local Expenditures:

Explanation of Local Revenues: Under current law, RVs and truck campers are assessed as personal property. Taxpayers must list this property on an individual-owned property tax return filed with the township assessor. The assessed value of this property becomes part of the tax base, and the taxpayer pays property tax on the RV or camper based on the prevailing property tax rate where the property is located. This bill would remove RVs and truck campers from property taxation and instead require that the owners of this property pay an excise tax beginning in CY 2009.

Based on taxing district-level assessment summaries and estimated 2009 tax rates, the CY 2009 net property tax on RVs and truck campers is estimated at \$9 M.

According to BMV records, there were 68,620 RVs registered in Indiana in 2004. The number of truck campers is not known. Because the breakdown of RVs and truck campers by number, age, and original price is unknown, the revenue generated from the excise tax rate structure cannot be estimated.

In CY 2009, maximum permissible levies would be reduced to account for the removal of AV from the RVs and campers. This provision would ensure that property tax rates remain unchanged and that no tax shifting occurs between RV and camper owners and owners of other property. Taxing units may petition the DLGF for an adjustment to their maximum levies in 2010 to neutralize the effects of the AV removal and excise tax revenue received under this bill.

Depending on the actual amount of revenue generated from the excise tax on RVs and campers, total local revenue could be the same, higher, or lower under this bill.

State Agencies Affected: Department of Local Government Finance; Bureau of Motor Vehicles.

Local Agencies Affected: County Auditors.

Information Sources: Local Government Database; Jane Morrical, Bureau of Motor Vehicles, 232-2822.

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